



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING



MARIANNE UDOW
DIRECTOR

February 9, 2006

The Honorable Bill Hardiman, Chair
Senate Appropriations Subcommittee on DHS
State Capitol
P.O. Box 30036
Lansing, Michigan 48909-7536

The Honorable Rick Schaffer, Chair
House Appropriations Subcommittee on DHS
State Capitol
P.O. Box 30014
Lansing, Michigan 48909-7514

Dear Senator Hardiman and Representative Shaffer:

Section 678 of 2005 Public Act 147 (Enrolled Senate Bill No. 271) requires the Michigan Department of Human Services (MDHS) to report to the legislature on the Early Childhood Investment Corporation. That report is attached.

If you have any questions, please contact John Sorbet, Chief Administrative Officer at 373-7787.

Sincerely,

Marianne Udow

cc: Senate and House Appropriations Subcommittee on DHS
Senate and House Fiscal Agencies
Senate and House Policy Offices
State Budget Office

**DEPARTMENT OF HUMAN SERVICES
PUBLIC ACT 147 OF 2005, SECTION 678**

On September 29, 2005, the appropriations bill (Senate Bill No. 271) for the Department of Human Services (DHS) was filed with the Secretary of State and given immediate effect (2005 PA 147). Section 678 of 2005 PA 147 provides the following:

Sec. 678. The department shall provide the senate and house of representatives appropriations subcommittees on the department budget with the cost and revenue implications for the early childhood investment corporation (ECIC) at least 3 months before a request for a transfer or supplemental appropriation. Additionally, all contracts entered into shall be bid out through a statewide request-for-proposal process, and the department shall report to the senate and house of representatives appropriations subcommittees on the department budget on the selection criteria for establishing contracts with intermediate school districts at least 30 days prior to the issuance of a request for a proposal. The department shall report to the senate and house of representatives appropriations subcommittees on the department budget by October 1, 2005 at least the following information related to the status of the ECIC:

- (a) The cost.
- (b) The implementation plan.
- (c) The projected funding sources.
- (d) All contracts entered into by the department.

REPORT TO THE LEGISLATURE

The Department of Human Services and the Branch Intermediate School District created the Early Childhood Investment Corporation (ECIC) in February 2005 through an Interlocal Agreement authorized under MCL 124.501 to 124.512. The Interlocal Agreement sets forth the process and selection criteria by which additional intermediate school districts may contract with DHS to become parties to the Interlocal Agreement. A copy of the Interlocal Agreement is enclosed with this report.

The Interlocal Agreement established ECIC as a separate legal entity to coordinate state and local efforts to promote and deliver early childhood development activities. (Article II of Agreement). DHS entered into an Establishment Grant Agreement (Grant) with ECIC in August 2005, transferring programs and services to the ECIC for implementing the objectives and furthering the purposes outlined in the Interlocal Agreement. Programs and services transferred are referenced in the FYs 2006-2007 Child Care and Development Fund Plan for Michigan and include T.E.A.C.H., Early Childhood Workforce Study, Professional Development & Training for Child Care Providers, and Early Head Start Pilot Program. (See Attachment A to the Establishment Grant Agreement which is enclosed with this report).

The DHS assigned \$12,724,000 in funding it previously expended for early childhood programs and services to the ECIC to administer. Child Care and Development Fund

(CCDF) dollars that were previously expended by the DHS for similar purposes will be used by ECIC to coordinate and support early childhood programs to improve the delivery of services to children and their families. The transfer of programs and services is revenue neutral.

The ECIC is in a sub-recipient relationship to DHS for the administration of programs and services transferred through the DHS under authority of the CCDF program. The U.S. Department of Health and Human Services continues to regard DHS as the lead agency in the overall operation of the CCDF program in Michigan. DHS has detailed three CCDF funded staff with existing early childhood program responsibilities to provide continuity with ECIC's collaborative efforts. As is true for all sub-recipients, administration of the programs transferred to the ECIC is subject to federal guidelines, state law, and the Grant provisions executed between the recipient and sub-recipient.

Under the Grant, the ECIC has specific reporting responsibilities, including the compliance with and utilization of DHS forms and reporting formats as well as the financial reporting requirements under OMB Circular A-133.

ECIC has provided DHS with the following information as part of the reporting requirements under the Grant Agreement.

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The Early Childhood Investment Corporation was established as an intergovernmental entity to focus on three areas that are critical to improving the ability of communities to respond to the needs of families with children from birth to five years of age. First, ECIC will work with state government to optimize the manner in which public and private resources are used for early childhood services. Second, ECIC will be a central clearinghouse for information, resources, and best practices on a variety of early childhood issues including parent support, child development, support of child care providers, and technical assistance for Michigan communities. The third purpose of ECIC is to support, sponsor, and fund partnerships with communities to promote collaborative community approaches for comprehensive plans to address the needs of families with children from birth to five years of age.

As a first step in addressing the ECIC role of supporting and funding community collaborative efforts, a competitive bid process was established and implemented to award Great Start Collaborative Grants. In January, the ECIC Executive Committee approved the staff recommendations to award the first grants. The following charts summarize the awards that have been approved for the seven Great Start Collaborative grants as well as the seven Capacity Building Grants.

Designation as a Great Start Collaborative
Total Funding Amount: \$820,000*

Intermediate School District	Funding Level
Charlevoix-Emmet	\$90,000
Dickinson-Iron	\$90,000
Jackson	\$150,000
Muskegon	\$150,000
St. Clair	\$100,000
St. Joseph	\$90,000
Wayne	\$150,000
	\$820,000

Designation as Capacity Building
Total Funding Amount: \$420,000*

Intermediate School District	Funding Level
Branch	\$50,000
Ingham	\$60,000
Genesee	\$60,000
Kalamazoo	\$60,000
Kent	\$60,000
Oakland	\$70,000
Saginaw	\$60,000
	\$420,000

*These contracts will be awarded following site visits scheduled for completion by March 2006. These visits will clarify expectations and priorities for use of these funds.

CCDF Quality Programs and Services

In addition to the Great Start Collaborative grants, the ECIC has responsibility for the continuation of quality child care initiatives. Funding for these initiatives is from the federal Child Care Development Fund and is unchanged from the previous funding cycle. Contract awards will be finalized by March 2006. The process utilized to select contractors was based upon the procedures recommended for state agencies by the Department of Management and Budget.

Child Care Resource and Referral (\$4,578,760)

As a result of the competitive bid process for these services, three contracts are being finalized. The three contracts will assure statewide coverage of resource and referral services for families in need of assistance with their child care needs.

Child Care Provider Training (\$2,035,984)

There were three bids received for these services. Rating of the bids was completed and two bids were deemed viable by the rating team. ECIC is currently finalizing contracts

for provider training throughout Michigan. Once in place, the contracts will assure that child care providers have access to a range of training and professional development opportunities.

Accreditation Scholarships and Incentives (\$58,932)

The accreditation scholarship and incentive contract is used to provide a limited amount of funding to day care providers to become a nationally accredited center. One contract will be awarded to provide these services statewide.

Day Care Aide and Relative Care Provider Incentives (\$126,899)

This contract is to establish an incentive for day care aides and relative care providers to be trained on issues relevant to their role as providers of child care. Child care aides and relative providers who meet eligibility requirements and who complete at least sixteen hours of training are eligible for a one-time incentive of \$150. One contract will be awarded to provide these services statewide.

Early Childhood Workforce Study (\$160,488)

The Professional Development Workgroup of the Children's Action Network identified the need for an early childhood workforce study. The first recommendation of the workgroup was to conduct a workforce study of existing early education and care providers; to establish baseline data on providers; and to provide information on the demographic characteristics of child care providers, rate of pay, education attainment, job satisfaction and turnover. One contract is being finalized to conduct this study.

Teacher Education And Compensation Helps (T.E.A.C.H.) (\$3,000,000)

T.E.A.C.H. Early Childhood® Michigan provides scholarships for child care professionals working toward an associate or bachelor degree in early childhood education or child development or a Child Development Associate (CDA) credential. Services are provided under contract with the Michigan 4C Association.

Consumer Education (\$591,529)

Child Care and Development Fund regulations require that consumer education information be disseminated to parents, child care providers, and the general public. Under contract with Healthy Child Publications, *Healthy Child Care* is provided bimonthly to regulated child care providers statewide. Under contract with the Partnership for Learning, *Wonder Years* is provided bimonthly to all families utilizing DHS child care services and relative care providers statewide. Various child care publications are also distributed covering a variety of topics.

INTERLOCAL AGREEMENT

BETWEEN THE

FAMILY INDEPENDENCE AGENCY

(a principal department of the State of Michigan)

AND

**PARTICIPATING INTERMEDIATE SCHOOL DISTRICTS
AS PUBLIC AGENCIES AND SIGNATORIES TO THIS INTERLOCAL AGREEMENT**

CREATING THE

MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION

(a Michigan public body corporate)

This INTERLOCAL AGREEMENT is entered into pursuant to the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512, between the FAMILY INDEPENDENCE AGENCY, a principal department of the State of Michigan, and PARTICIPATING INTERMEDIATE SCHOOL DISTRICTS, bodies corporate established as authorized under Part 7 of The Revised School Code, 1976 PA 451, MCL 380.601 to 380.705, for the purpose of establishing and creating the **MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION**, a separate legal entity and public body corporate, to administer activities related to early childhood development and to implement the objectives and further the purposes set forth in this agreement. Each party to this agreement is a Public Agency under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512, with the power to carry out the activities described in this Agreement.

RECITALS

A. The ever growing knowledge and public awareness of the links between early child development and later success in school and in life has led to an increased awareness of the need to focus on the care and development of very young children. Successful early child care and child development programs require long-term continuity, maximum flexibility, and intergovernmental cooperation to ensure that every child in this state begins school healthy and prepared to succeed.

B. The Family Independence Agency has the power, privilege and authority to perform various early childhood development activities. Each participating intermediate school district also has the power, privilege, and authority to perform various early childhood development activities. Early childhood development programs and activities throughout the State of Michigan can be enhanced and improved by expanded cooperation between the Family Independence Agency and the participating intermediate school districts.

C. Section 28 of Article VII of the Michigan Constitution of 1963 and the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512 ("Act 7"), permit a Public Agency to exercise jointly with any other Public Agency any power, privilege or authority which such Public Agencies share in common and which each might exercise separately.

D. The Family Independence Agency and the participating intermediate school districts desire to enter into an interlocal agreement under Act 7 to jointly exercise powers related to early childhood development. By entering into the interlocal agreement the Family Independence Agency and the participating intermediate school districts are creating the Michigan Early Childhood Investment Corporation as a separate legal entity and as a public body corporate.

NOW THEREFORE, pursuant to Act 7, the Family Independence Agency and each participating intermediate school district agree to the following terms and conditions:

ARTICLE I

DEFINITIONS

As used in this agreement

Section 1.01. “Act 7” means the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

Section 1.02. “Agreement” means this interlocal agreement between the Family Independence Agency and each Participating Public Agency.

Section 1.03. “Budget Act” means the Uniform Budgeting and Accounting Act, 1968 PA 2, MCL 141.421 to 141.440a.

Section 1.04. “CEO” means the chief executive officer of the Corporation selected under Section 4.11 of this Agreement.

Section 1.05. “Corporation” means the Michigan Early Childhood Investment Corporation, a separate legal entity and public body corporate created by this Agreement pursuant to Act 7.

Section 1.06. “Corporation Board” means the board of the Corporation created by this Agreement.

Section 1.07. “Department” means the Family Independence Agency.

Section 1.08. “Effective Date” means the later of February 15, 2005 or the date on which this Agreement is first filed with the Office of the Great Seal of the Michigan Department of State and with the clerk of a county of the State as required under the Act 7.

Section 1.09. “Eligible Public Agency” means an Intermediate School District.

Section 1.10. “Executive Committee” means the executive committee of the Corporation.

Section 1.11. “Family Independence Agency” means the principal department of Michigan state government created as the Department of Social Services under Section 450 of the Executive Organization Act of 1965, 1965 PA 380, MCL 16.550, and renamed the Family Independence Agency by 1995 PA 223, MCL 400.1. If Executive Order 2004-38 is not disapproved as provided in Section 2 of Article V of the Michigan Constitution of 1963 and becomes effective, any and all references to the Family Independence Agency or the Department under this Agreement shall be deemed references to the Michigan Department of Human Services (a principal department of Michigan state government).

Section 1.12. “Fiscal Year” means the fiscal year of the Corporation, which shall begin on October 1 of each year and end on September 30 of the following year.

Section 1.13. “FOIA” means the Freedom of Information Act, 1976 PA 442, MCL 15.231 to 15.246.

Section 1.14. “Intermediate School District” means a body corporate governed by an intermediate school board and established within one or more counties of the State of Michigan as authorized under Part 7 of The Revised School Code, 1976 PA 451, MCL 380.601 to 380.705.

Section 1.15. “OMA” means the Open Meetings Act, 1976 PA 267, MCL 15.261 to 15.275.

Section 1.16 “Participant” means an Eligible Public Agency that is a Party.

Section 1.17. “Party” or “Parties” either individually or collectively, as applicable, means a party to this Agreement.

Section 1.18. “Person” means an individual, authority, corporation, limited liability company, partnership, firm, organization, association, joint venture, trust, governmental entity, Public Agency, or other legal entity.

Section 1.19. “Public Agency” means that term as defined under Section 2(e) of Act 7, MCL 124.502(e).

Section 1.20. “Request Form” means a request by an Eligible Public Agency to become a Participant as described in Article IX.

Section 1.21. “State” means the State of Michigan.

ARTICLE II

PURPOSE

Section 2.01. Purpose. The purpose of this Agreement is to create and empower the Corporation to implement the powers, privileges, and authority of each of the Parties with respect to the subject matter of this Agreement, including, but not limited to, the performance of successful, effective, and efficient coordination and delivery of early child development and child care programs and functions throughout the State.

Section 2.02. Programs and Functions. The Corporation's early childhood programs and functions shall include, but are not limited to the following:

- (a). The provision of information and assistance regarding any of the following:
 - (i). Early childhood development.
 - (ii). The design of quality early childhood programs.
 - (iii). Education opportunities and qualifications for child care providers.
 - (iv). Community activities to promote early childhood development and care.
 - (v). Statistics regarding children receiving quality care.
 - (vi). Information for parents or guardians regarding early childhood development.
 - (vii). Community-based systems for the delivery of services related to early childhood development and care.
 - (viii). Resources for persons seeking to implement early childhood programs.
- (b). Seek, accept, and expend moneys to fund early childhood programs and functions.
- (c). Attempt to assure a long-standing and sustained focus on early childhood development and child care within the State.
- (d). Encourage public and private commitment to early childhood development and foster public-private partnerships.
- (e). Enhance coordination and encourage consolidation of efforts to advance early childhood development and care.
- (f). Provide persons, including, but not limited to, parents, guardians, and other caregivers, education in early childhood development skills.
- (g). Assist efforts to expand access to quality child care and early childhood education to all children and their families.

ARTICLE III
CREATION OF
MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION

Section 3.01. Creation and Legal Status of the Michigan Early Childhood Investment Corporation. The Michigan Early Childhood Investment Corporation is established as a separate legal entity for the purpose of administering and executing this Agreement. The Corporation shall be a public body corporate having the powers granted under this Agreement.

Section 3.02. Principal Office. The principal office of the Corporation shall be at a location determined by the Corporation Board.

Section 3.03. Title to Corporation Assets. All property owned by the Corporation is owned by the Corporation as separate legal entity and public body corporate, and no Party has any ownership interest in Corporation property.

Section 3.04. Tax-Exempt Status. The Parties intend the activities of the Corporation to be tax-exempt as governmental functions carried out by an instrumentality or political subdivision of government under Section 115 of the Internal Revenue Code of 1986, 26 USC 115, or any corresponding provisions of any future federal tax code. The Parties also intend the activities of the Corporation to be governmental functions carried out by a political subdivision of this State, exempt to the extent provided under Michigan law from taxation by this State, including, but not limited to, the single business tax under the Single Business Tax Act, 1975 PA 228, MCL 208.1 to 208.145, and property taxes under The General Property Tax Act, 1893 PA 206, MCL 211.1 to 211.157.

Section 3.05. Compliance with Law. The Corporation shall comply with all federal and state laws, rules, regulations, and orders applicable to the Corporation and this Agreement.

Section 3.06. Relationship of the Parties. The Parties agree that no Party shall be responsible for the acts of the Corporation or of the employees, agents, and servants of any other Party, whether acting separately or in conjunction with the implementation of this Agreement. The Parties shall only be bound and obligated hereunder as expressly agreed to by each Party; no Party may obligate any other Party.

Section 3.07. No Third-Party Beneficiaries. Except as expressly provided herein, this Agreement does not create in any Person, and is not intended to create by implication or otherwise, any direct or indirect obligation, duty, promise, benefit, right to be indemnified (such as contractually, legally, equitably, or by implication), right to be subrogated to any Party's rights in this Agreement and/or any other right.

ARTICLE IV

CORPORATION BOARD AND CEO

Section 4.01. Corporation Board Composition. The governing body of each Participant shall appoint one (1) member of the Corporation Board to serve at the will of the Participant. For each member of the Corporation Board appointed by the governing body of a Participant the Governor of the State shall appoint up to two (2) members of the Corporation Board representing the State to serve at the will of the Governor. If there are fewer than five (5) Participants, the Governor may appoint up to twelve (12) additional members of the Corporation Board representing the State to serve at the will of the Governor or until there are five (5) or more Participants.

Section 4.02. Corporation Board Authority. The Corporation Board shall authorize and approve the annual audit and evaluate the performance of the Corporation and may review acts of the Executive Committee, as deemed necessary.

Section 4.03. Corporation Board Meetings. The Corporation Board shall hold at least one (1) annual meeting at the place, date, and time as the Corporation Board shall determine. Meetings of the Corporation Board shall comply with the OMA. Public notice of the time, date, and place of Corporation Board meetings shall be given in the manner required by the OMA.

Section 4.04. Corporation Board Quorum and Voting. A majority of the members of the Corporation Board then in office shall constitute a quorum for the transaction of business. The Corporation Board shall act by a majority vote of the members appointed and serving at the time of the vote. Members of the Corporation Board shall not engage in proxy voting.

Section 4.05. Corporation Executive Committee. The Corporation shall have an Executive Committee of fifteen (15) members. The members of the Executive Committee shall include the Director of the Department or his or her designated representative from within the Department and fourteen (14) residents of this State appointed by the Governor of the State. The members appointed by the Governor shall include not less than one (1) resident of this State representing Participants.

Section 4.06. Executive Committee Terms of Office. The initial terms of office of the members of the Executive Committee shall be as follows:

- (a). FOUR (4) members appointed for a term of four (4) years.
- (b). FOUR (4) members appointed for a term of three (3) years.
- (c). THREE (3) members appointed for a term of two (2) years.
- (d). THREE (3) members appointed for a term of one (1) year.

Following the initial terms, subsequent appointments shall be for terms of four (4) years. A vacancy on the Executive Committee caused other than by expiration of a term shall be filled in the same manner as the original appointment for the balance of the unexpired term.

Section 4.07. Executive Committee Authority. The Executive Committee shall exercise the powers of the Corporation. The Executive Committee shall appoint the Chief Executive Officer of the Corporation who shall administer all programs, funds, personnel, contracts, and all other administrative functions of the Corporation, subject to oversight of the Executive Committee.

Section 4.08. Executive Committee Meetings. The Executive Committee shall meet regularly at the place, date, and time as the Executive Committee determines, but not less than quarterly. Meetings of the Executive Committee shall comply with the OMA. Public notice of the time, date, and place of Executive Committee meetings shall be given in the manner required by the OMA.

Section 4.09. Executive Committee Quorum and Voting. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business. The Executive Committee shall act by a majority vote of its members. Members of the Executive Committee may not engage in proxy voting.

Section 4.10. Ethics and Conflicts of Interest. The Corporation Board shall adopt ethics policies governing the conduct of Corporation Board members, the Executive Committee, and the officers and employees of the Corporation. The policies shall be no less stringent than those provided for public officers and employees under the State Ethics Act, 1973 PA 196, MCL 15.341 to 15.348. Members of the Corporation Board, the Executive Committee, and the officers and employees of the Corporation shall be deemed to be public servants under 1968 PA 317, MCL 15.321 to 15.330, and are subject to any other applicable laws with respect to conflicts of interest. The Executive Committee shall establish policies and procedures requiring disclosure of relationships that may give rise to conflicts of interest.

Section 4.11. CEO. The Executive Committee shall appoint the Chief Executive Officer of the Corporation who shall administer all programs, funds, personnel, contracts, and all other administrative functions of the Corporation, subject to oversight of the Executive Committee. The CEO shall receive such compensation as determined by the Executive Committee. All terms and conditions of the CEO's employment, including length of service, shall be specified in a written contract between the CEO and the Executive Committee, provided that the CEO shall serve at the pleasure of the Executive Committee, and the Executive Committee may remove or discharge the CEO by a vote of not less than the majority of the members of the Executive Committee.

Section 4.12. Fiduciary Duty. The members of the Corporation Board, the Executive Committee, and the CEO are under a fiduciary duty to conduct the activities and affairs of the Corporation in the best interests of the Corporation, including the safekeeping and use of all Corporation monies and assets for the benefit of the Corporation. The members of the Corporation Board, the Executive Committee and the CEO shall discharge this duty in good

faith, with the care an ordinarily prudent individual in a like position would exercise under similar circumstances.

Section 4.13. Compensation. The members of the Corporation Board and the Executive Committee shall receive no compensation for the performance of their duties. A member of the Corporation Board or the Executive Committee may engage in private or public employment, or in a profession or business. Members of the Corporation Board and the Executive Committee may be reimbursed by the Corporation for actual and necessary expenses incurred (such as travel and meals) in the discharge of their official duties.

ARTICLE V

GENERAL POWERS OF THE CORPORATION

Section 5.01. Powers Granted under Act 7. In carrying out its purposes, the Corporation may perform, or perform with any Person, as applicable, any power, privilege, or authority that the Parties share in common and that each might exercise separately to the fullest extent permitted by Act 7 and in accordance with applicable law. The Corporation shall not have the power to bind a Party, unless otherwise agreed to by the Party. The enumeration of a power in this Agreement shall not be construed as a limitation upon the powers of the Corporation, and is in addition to any powers authorized by law. Among other things, the Corporation shall have the powers to:

- (a). Make or enter into contracts;
- (b). Employ agencies or employees;
- (c). Acquire, construct, manage, maintain, or operate buildings, works, or improvements;
- (d). Acquire, own, hold, operate, maintain, lease, or sell real or personal property and dispose of, divide, or distribute any property.
- (e). Incur debts, liabilities, or obligations that, except as expressly authorized by the Parties, do not constitute the debts, liabilities, or obligations of any of the Parties;
- (f). Cooperate with a Public Agency, an agency or instrumentality of the Public Agency, or another legal or administrative entity created by the Public Agency under Act 7;
- (g). Make loans from the proceeds of gifts, grants, assistance funds, or bequests in order to further its purposes;
- (h). Form other entities necessary to further the purposes of the Agreement; and
- (i). Sue and be sued in the name of the Corporation.

Section 5.02. Additional Powers Granted Under Act 7. The Corporation shall also have additional powers including but not limited to:

- (a). Employ, engage, compensate, transfer, or discharge necessary personnel, subject to the provisions of applicable civil service and merit systems and Act 7;
- (b). Fix and collect charges, rates, rents, fees, loan repayments, loan interest rates, or other charges on loans;
- (c). Promulgate necessary rules and provide for their enforcement by or with the assistance of the Parties to accomplish the purposes of this Agreement;

- (d) Accept gifts, grants, assistance funds, or bequests and use the same for the purposes of this Agreement. The Corporation may apply for and accept grants, loans, or contributions from any source. The Corporation may do anything within its power to secure the grants, loans, or other contributions;
- (e) Make claims for federal or state aid payable to a Party on account of the execution of this Agreement, with the consent of the Party;
- (f) Determine the manner of responding for any liabilities that might be incurred through performance of the Agreement and insure against any such liability;
- (g) Adjudicate disputes or disagreements, the effects of failure of the Parties to pay their shares of the costs and expenses agreed to by the Parties, and the rights of the other Parties in such cases;
- (h) Engage auditors to perform independent audits of the financial statements of the Corporation;
- (i) Invest surplus funds or proceeds of grants, gifts, or bequests and adopt an investment policy in connection therewith;
- (j) Employ legal, financial and technical experts, other officers, agents, or employees, and accept voluntary provision of such services and functions from donor individuals and entities;
- (k) Study, develop, and prepare the reports or plans the Corporation considers necessary to further the purposes of this Agreement and to monitor and evaluate performance under this Agreement; and
- (l) Indemnify, as permitted by law, and procure insurance indemnifying any members of the Corporation Board, Executive Committee, or officers or employees of the Corporation from personal loss or accountability from liability asserted by any Person for any acts or omissions of the Corporation.

Section 5.03. Bonds or Notes; Limitation. The Corporation shall not issue any type of bond in its own name, except as provided in this section, or in any way indebted a Party except as expressly authorized by that Party. The Corporation may borrow money and issue bonds or notes in its name for local public improvements or for economic development purposes provided that the Corporation shall not borrow money or issue bonds or notes for a sum that, together with the total outstanding bonded indebtedness of the Corporation, exceeds 2 mills of the taxable value of the taxable property within the Parties as determined under section 27a of The General Property Tax Act, 1893 PA 206, MCL 211.27a, unless otherwise authorized by Act 7. Bonds or notes issued by the Corporation are the debt of the Corporation and not of the Parties. Bonds or notes issued by the Corporation are for an essential public and governmental purpose. Pursuant to Section 7(7) of Act 7, bonds or notes, together with the interest on the bonds or notes and

income from the bonds or notes, are exempt from all taxes. Bonds or notes issued by the Corporation are subject to the Revised Municipal Finance Act, 2001 PA 34, MCL 141.2101 to 141.2821 as required by Section 7(8) of Act 7.

Section 5.04. Tax Limitation. The Corporation shall not levy any type of tax within the boundaries of any Party. Nothing contained in this Agreement, however, prevents the Parties from levying taxes in their own right and assigning the revenue from such taxes to the Corporation, as agreed by the Parties and to the extent provided by law.

Section 5.05. Limitation on Political Activities. The Corporation shall not spend any public funds on political activities. This section is not intended to prohibit the Corporation from engaging in activities permitted under the Michigan Campaign Finance Act, 1976 PA 388, MCL 169.201 to 169.282.

Section 5.06. No Waiver of Governmental Immunity. The Parties agree that no provision of the Agreement is intended, nor shall it be construed, as a waiver by any Party of any governmental immunity provided under Act 7 or other law.

ARTICLE VI

SPECIFIC POWERS OF CORPORATION

Section 6.01. Early Childhood Development. The Corporation may continually and diligently endeavor to encourage early childhood development, improved delivery of child care, promote the social and educational enrichment of pre-kindergarten children, provide related training, education, and support services, and enhance cooperation in these areas.

Section 6.02. Contracting. The Corporation may enter into agreements, contracts or arrangements with a governmental entity or other persons necessary or appropriate to assist the Corporation in carrying out its duties and functions.

Section 6.03. Funds, Gifts, Grants, Bequests, Donations. The Corporation may accept gifts, grants, bequests and other donations for use in performing the Corporation's functions. Funds or property accepted shall be used as directed by its donor in accordance with applicable law, rules, and procedures. The Corporation may receive local, State, and federal funds to accomplish its purposes.

Section 6.04. Municipal Employee Retirement System. To the extent permitted under Michigan law, the Corporation Board may elect to become a participating municipality in the Municipal Employee Retirement System on behalf of all Corporation employees, but only pursuant to section 2c(2) of the Municipal Employees Retirement Act of 1984, 1984 PA 427, MCL 38.1501 to 38.1558.

Section 6.05. Intergovernmental Activities. The Corporation may form and own other legal entities to further the purposes of this Agreement. The Corporation may cooperate with a Public Agency, an instrumentality of that Public Agency, or other legal or administrative entity created under Act 7.

Section 6.06. Limitation of Powers. The Corporation may not levy any type of tax within the boundaries of any Party or incur debt, liabilities or obligations which constitute debts, liabilities, or obligations of any Party.

Section 6.07. No Waiver of Governmental Immunity. The Parties agree that no provision of the Agreement is intended, nor shall it be construed, as a waiver by any Party of any governmental immunity provided under Act 7 or other law.

ARTICLE VII

BOOKS, RECORDS, AND FINANCES

Section 7.01. Corporation Records. The Corporation shall keep and maintain at the principal office of the Corporation all documents and records of the Corporation. The records of the Corporation, which shall be available to the Parties, shall include a copy of this Agreement along with any amendments to the Agreement. The records and documents shall be maintained until termination of this Agreement and shall be returned to any successor entity or, if none, to the State.

Section 7.02. Financial Statements and Reports. The Corporation shall prepare, or cause to be prepared, at its own expense, audited financial statements (balance sheet, statement of revenue and expense, statement of cash flows, and changes in fund balance) on an annual basis. Such financial statements shall be prepared in accordance with generally accepted accounting principles and shall be accompanied by a written opinion of an independent certified public accounting firm. A copy of the annual financial statement and report shall be filed with the Michigan Department of Treasury and shall be made available to each of the Parties.

Section 7.03. Audits. The Executive Committee shall establish a dedicated audit committee of the Executive Committee for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of its financial statements. The Executive Committee shall establish specific duties and obligations of the audit committee and standards and qualifications for membership thereon. The Corporation may require at least one member to be specifically knowledgeable about financial reports.

Section 7.04. Freedom of Information Act. The Corporation shall be subject to and comply with the FOIA.

Section 7.05. Uniform Budgeting and Accounting Act. The Corporation shall be subject to and comply with the Uniform Budget and Accounting Act. The CEO annually shall prepare and the Corporation Board shall approve a budget for the Corporation for each Fiscal Year.

Section 7.06. Budget and Performance Standards. Each Fiscal Year, the CEO shall prepare performance standards for review and approval by the Executive Committee.

Section 7.07. Deposits and Investments. The Corporation shall deposit and invest funds of the Corporation, not otherwise employed in carrying out the purposes of the Corporation, in accordance with an investment policy established by the Executive Committee consistent with laws and regulations regarding investment of public funds.

Section 7.09. Disbursements. Disbursements of funds shall be in accordance with the budget adopted by the Corporation Board, consistent with any guidelines established by the Executive Committee, and in accordance with law.

ARTICLE VIII

TERM/TERMINATION

Section 8.01. Term. This Agreement and the Corporation shall commence on the Effective Date and continue for an initial term of ten (10) years (“Initial Term”). After the initial term, the Agreement is extended in five (5) year increments unless not extended by joint action of the Parties.

Section 8.02. Withdrawal by Department. The Department may withdraw from the Agreement upon six (6) months notice to the Corporation.

Section 8.03 Withdrawal by a Participant. Any Participant may withdraw from the Agreement upon six (6) months notice to the Corporation. The withdrawal of any Participant shall not terminate nor have any effect upon the provisions of the Agreement as long as the Corporation has at least one (1) Participant.

Section 8.04. Disposition upon Termination. As soon as possible after termination of this Agreement, the Corporation shall wind up its affairs as follows:

- (a) All of the Corporation's debts, liabilities, and obligations to its creditors and all expenses incurred in connection with the termination of the Corporation and distribution of its assets shall be paid first; and
- (b) Title to all property and assets owned by the Corporation shall be distributed as agreed upon by the Corporation Board, which may include transfer of such property and assets to a successor entity.

ARTICLE IX

ADMISSION OF PARTICIPANTS

Section 9.01. Procedure. After the Effective Date, an Eligible Public Agency may become a Participant by submitting a Request Form pursuant to guidelines established by the Executive Committee and shall be accompanied by the opinion of legal counsel as set forth in Section 9.04. The CEO may recommend approval or denial of a Request Form to the Executive Committee. The Executive Committee shall approve or deny the Request Form. If the Executive Committee approves the application, the governing body of the Eligible Public Agency shall adopt a resolution authorizing the Eligible Public Agency to enter into this Agreement.

Section 9.02 Effective Date. The effective date of admission of a Participant is the date on which this Agreement which contains the name and signatory of the Participant is filed with the Office of the Great Seal of the Michigan Department of State, and with the clerk of each county in this state in which the Participant is located, as required by Act 7.

Section 9.03 Not an Amendment to Agreement. The admission of additional Participants, after the Effective Date, shall not constitute an amendment to or alternative form of this Agreement nor change the Effective Date.

Section. 9.04 Opinion of Legal Counsel. The Request Form shall be accompanied by an opinion of legal counsel to the Eligible Public Agency that the Eligible Public Agency is validly formed and possesses the powers necessary to enter into this Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.01. Due Execution of this Agreement. Each Party shall duly execute not less than two (2) counterparts of this Agreement, each of which (taken together) is an original but all of which constitutes one instrument.

Section 10.02. Notices. Any and all correspondence or notices required, permitted, or provided for under this Agreement to be delivered to any Party shall be sent to that Party by first class mail. All such written notices shall be sent to each other Party's signatory to this Agreement, or that signatory's successor, in care of the Director in the case of the Department. All correspondence shall be considered delivered to a Party as of the date that such notice is deposited with sufficient postage with the United States Postal Service. All such notices of withdrawal shall be sent via certified mail to the address as set forth above such Party's signature.

Section 10.03. Entire Agreement. This Agreement sets forth the entire agreement between the Parties and supersedes any and all prior agreements or understandings between them in any way related to the subject matter of this Agreement. It is further understood and agreed that the terms and conditions of this Agreement are contractual and are not a mere recital and that there are no other agreements, understandings, contracts, or representations between the Parties in any way related to the subject matter of this Agreement, except as expressly stated in this Agreement.

Section 10.04. Severability of Provisions. If any provision of this Agreement, or its application to any Person, Party, or circumstance, is invalid or unenforceable, the remainder of this Agreement and the application of that provision to other Persons or circumstances and to the remaining Parties is not affected but will be enforced to the extent permitted by law, it being the intent of the remaining Parties to continue to agree to the substantive provisions of this Agreement and to implement the Agreement.

Section 10.05. Governing Law. This Agreement is made and entered into in this State of Michigan and shall in all respects be interpreted, enforced, and governed under Michigan law without regard to the doctrines of conflict of laws. The language of all parts of this Agreement shall in all cases be construed as a whole according to its fair meaning and not construed strictly for or against any Party.

Section 10.06. Captions and Headings. The captions, headings, and titles in this Agreement are intended for the convenience of the reader and are not intended to have any substantive meaning and/or be interpreted as part of this Agreement.

Section 10.07. Terminology. All terms and words used in this Agreement, regardless of the number or gender in which they are used, are deemed to include any other number and any other gender as the context may require.

Section 10.08. Cross-References. References in this Agreement to any Article include all sections, subsections, and paragraphs in the Article; unless specifically noted otherwise

herein, references in this Agreement to any Section include all subsections and paragraphs in the Section.

Section 10.09. Jurisdiction and Venue. In the event of any disputes between the Parties over the meaning, interpretation, or implementation of the terms, covenants, or conditions of this Agreement, the matter under dispute, unless resolved between the Parties, shall be submitted to the courts of this State.

Section 10.10. Amendment. This Agreement may be amended or an alternative form of this Agreement adopted only upon written agreement of all Parties.

Section 10.11. Effective Date. This Agreement is effective on the Effective Date.

This Agreement is executed by the Parties on the dates set forth below.

FAMILY INDEPENDENCE AGENCY,
a principal department of the State of Michigan

Dated: _____

By: _____
Marianne Udow, Director

Address 235 S. Grand Avenue
P.O. Box 30037
Lansing, MI 48909-7537

_____ INTERMEDIATE SCHOOL DISTRICT

Dated: _____

By: _____
_____, Superintendent

Address _____

This Agreement is executed by the Participant on the date set forth below:

_____INTERMEDIATE SCHOOL DISTRICT

Dated: _____

By:_____

_____, Superintendent

Address _____

Establishment Grant Agreement

Between

Michigan Department of Human Services
(a principal department of the State of Michigan)

Hereinafter referred to as the “Department”

and

Early Childhood Investment Corporation
(a Michigan public body corporate)

Hereinafter referred to as the “Contractor”

for

Administration activities related to early childhood development and to implement the objectives and further the purposes outlined in the Interlocal Agreement which established the Early Childhood Investment Corporation

Part I

1. **Period of Agreement:** This Agreement shall commence on October 1, 2005 and continue through September 30, 2006. This Agreement is in force and effect for the period specified.

2. **Program Budget and Agreement Amount** The Contractor and Department agree that:

A. Agreement Amount

The total amount of this Agreement is \$13,508,628 in committed and contracted Child Care and Development Fund (CCDF) funds and \$2,270,898 in other CCDF Quality Funding. The Department, under the terms of this Agreement, will provide CCDF funding not to exceed \$15,779,526.

B. Equipment Purchases and Title

Any Contractor equipment purchases supported in whole or in part through this Agreement must be detailed in the supporting detail schedule. Equipment means tangible, non-expendable, personal property having a useful life of more than one (1) year and an acquisition cost of \$5,000 or more per unit. Title to items having a unit acquisition cost of less than \$5,000 shall vest with the Contractor upon acquisition. The Department reserves the right to retain or transfer the title to all items of equipment having a unit acquisition cost of \$5,000 or more, to the extent that the Department's proportionate interest in such equipment supports retention or transfer of title.

C. Deviation Allowance

A deviation allowance modifying an established budget category by either \$10,000 or 10%, whichever is greater, is permissible without written approval of the Department. Any modification or deviation in excess of this provision, including any adjustment to the total amount of this Agreement, must be made in writing and executed by all parties to this Agreement before the modifications can be implemented. This deviation allowance does not authorize new categories, subcontracts, equipment items, or positions not shown in the attached program Budget Summary and supporting detail schedules.

3. **Purpose:** The Contractor and Department agree that the ECIC is a public authority established to encourage the enhanced delivery of early child development and child care programs and functions throughout the State of Michigan. The ECIC has been established as a public authority under Public Act 7 of 1967, the Urban Cooperation Act, via an Interlocal Agreement between the Department and the Branch County Intermediate School District. This Agreement is entered into as a means of implementing the changes necessary to facilitate the stated goals of the ECIC.
4. **Statement of Work:** The Contractor and Department agree to undertake, perform, and complete the services described in Attachment A of Part II of this Agreement, which is part of this Agreement and incorporated by reference.
5. **Financial Requirements:** The Contractor and Department agree that the reimbursement process shall be followed as described in Part II of this Agreement and Attachments B, D, and E of Part II, which are part of this Agreement and incorporated by reference.
6. **Performance-Progress Report Requirements:** The Contractor and Department agree that the progress reporting methods, as applicable, shall be followed as described in Attachment C of Part II, which is part of this Agreement and incorporated by reference.
7. **General Provisions:** The Contractor and Department agree to comply with the General Provisions outlined in Part II, which is part of this Agreement and incorporated by reference.
8. **Administration of the Agreement:** The person acting for the Department in administering this Agreement (hereinafter referred to as the Contract Manager) is:

Name	Title	Email Address	Telephone
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9. **Contractor's Financial Contact for this Agreement:** The person acting for the Contractor on the financial reporting for this Agreement will be:

Name	Title	Email Address	Telephone
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10. **Special Conditions:**

- A. This Agreement is valid upon approval by the State Administrative Board as appropriate and approval and execution by the Department.
- B. This Agreement is conditionally approved subject to and contingent upon the availability of funds.
- C. The Department will not assume any responsibility or liability for costs obligated by the Contractor prior to the signing of this Agreement.

11. **Special Certification:** The individual or officer signing this Agreement certifies by his or her signature that he or she is authorized to sign this Agreement on behalf of the responsible governing board, official, or Contractor.

12. **Signature Section:**

For the Department of Human Services

Marianne Udow

Marianne Udow, Director

9/9/05

Date

For the Contractor

Marvin H. McKenney

Signature

September 9, 2005

Date

Part II General Provisions.

I. **Responsibilities – Contractor**

The Contractor, in accordance with the general purposes and objectives of this Agreement, will:

A. **Publication Rights**

1. Where activities supported by this Agreement produce books, films, or other such copyrightable materials issued by the Contractor, the Contractor may copyright such but shall acknowledge that the Department reserves a royalty-free, non-exclusive and irrevocable license to reproduce, publish and use such materials and to authorize others to reproduce and use such materials. This cannot include service recipient information or personal identification data.
2. Any copyrighted materials or modifications bearing acknowledgement of the Department's name must be approved by the Department prior to reproduction and use of such materials.
3. The Contractor shall give recognition to the Department in any program and service contract herein; the Department will do likewise.

B. **Program Operation**

Provide the necessary administrative, professional, and technical staff for operation of the program.

C. **Reporting**

Utilize all report forms and reporting formats required by the Department at the effective date of this Agreement, and provide the Department with timely review and commentary on any new report forms and reporting formats proposed for issuance thereafter.

D. **Record Maintenance/Retention**

Maintain adequate program and fiscal records and files, including source documentation to support program activities and all expenditures made under the terms of this Agreement, as required.

Assure that all terms of the Agreement will be appropriately adhered to and that records and detailed documentation for the project or program identified in this Agreement will be maintained for a period of not less than five (5) years from the date of termination, the date of submission of the final expenditure report, or until any litigation and audit findings have been resolved.

E. Authorized Access

Upon reasonable notification and at reasonable times, access will be provided by authorized representatives of the Department, Federal Grantor Agency, Comptroller General of the United States and State Auditor General, or any of their duly authorized representatives, to records, files and documentation related to this Agreement, to the extent authorized by applicable state or federal law, rule, or regulation.

F. Sub-Recipient

Acknowledge that this Agreement constitutes a sub-recipient relationship with the Department.

G. Audits

Agree that regulations applicable to funding sources are included in the Federal Catalog of Domestic Assistance (CFDA). The CFDA number and federal financial participation (FFP) rate the Department plans to use for this Agreement are:

CFDA #	FFP%
93.575	100.

The Department may change the CFDA # and/or FFP rate during the course of this Agreement. CFDA numbers and FFP rates for this Agreement shall be posted quarterly on the DHS web site. The Contractor is required to check the web site to obtain up to date information regarding the CFDA numbers.

The Contractor may consult the following website to obtain CFDA numbers, payments, and other audit information:

<http://www.mdhs.state.mi.us/OIA/CFDA-FFP-New.asp>

The Department agrees to participate in the cost of audit activities as described in the budget attachment B.

Reporting Requirements

If the contractor is required per OMB Circular A-133 to have a Single Audit performed, the contractor must submit the Reporting Package and an Audit Transmittal Letter to the DHS Office of Internal Audit at the address that follows and in accordance with the time frame established in the Circular.

Reporting Package includes:

1. Financial statements and schedule of expenditures of Federal awards
2. Summary schedule of prior audit findings
3. Auditor's report(s)
4. Corrective action plan

Audit Transmittal Letter

The Contractor is responsible to identify in the Audit Transmittal Letter all organizations it operates that administer DHS subrecipient programs and the different names the contractor may use to contract with DHS. The contractor is responsible for proper completion and submission of the Audit Transmittal Letter. This letter, to be accurately processed by DHS, must include the following information:

1. Contractor's name as reported in the DHS contract(s)
2. Contractor's Federal Identification number(s) as reported in the DHS contract(s)
3. Contractor's fiscal year end
4. Identify other name(s) and other Federal Identification number(s) used by the contractor

If a Single Audit is not required per OMB Circular A-133, the Contractor must still submit an Audit Transmittal Letter stating why a Single Audit was not required and the contractor's fiscal year the letter pertains to. The Audit Transmittal Letter should include items stated in the section, "Audit Transmittal Letter," described below. The letter may be mailed to the address below or FAX to (517) 373-8771.

Mailing address for all information:

Michigan Department of Human Services
Office of Internal Audit
235 S. Grand Ave. Suite 1112
Lansing, MI 48909
Attention: William Addison, CPA

Sanctions

The Department may impose sanctions if the Contractor fails to adhere to any of the audit requirements in the contract. In cases of continued inability or unwillingness to comply with audit requirements, the Department may recoup all federal payments made to the Contractor during the period that a single audit was required but not performed.

H. Disallowed Costs

Agree that disallowed costs are those that the Department has determined are not chargeable to Department funding. The disallowed costs may be a result of any one of three different oversight processes. A Department monitoring review may result in identifying disallowed costs. Also, costs cited in the contractor's Single Audit may be judged by the Department as disallowed cost. And, an audit performed by the Department may cite disallowed costs.

All disallowed costs must be refunded to DHS within 30 days from the date of notification.

I. Notification of Modifications

Provide timely notification to the Department, in writing, of any action by its governing board or any other funding source which would require or result in significant modification in the provisions of services, funding, or compliance with operational procedures.

J. Software Compliance

The Contractor must ensure that software compliance and compatibility with the Department's data systems for services provided under this Agreement including but not limited to: stored data, databases, and interfaces for the production of work products and reports. All required data under this Agreement shall be provided in an accurate and timely manner without interruption, failure or errors due to the inaccuracy of the Contractor's business operations for processing data/time data.

K. Human Subjects

The Contractor agrees to submit all research involving human subjects, which is conducted in programs sponsored by the Department, or in programs that receive funding from or through the State of Michigan, to the Department for approval prior to the initiation of the research.

II. Responsibilities – Department

The Department, in accordance with the general purposes and objectives of this Agreement, will:

A. Reimbursement

Provide reimbursement in accordance with the terms and conditions of this Agreement based upon appropriate reports, records, and documentation maintained by the Contractor.

B. Report Forms

Provide any report forms and reporting formats required by the Department at the effective date of this Agreement, and provide to the Contractor any new report forms and reporting formats proposed for issuance thereafter at least ninety (90) days prior to their required usage in order to afford the Contractor an opportunity to review and offer comment.

C. Transfer

Within 30 days of the Effective Date of this Agreement, the Department will transfer to the Contractor any private donations accepted and held on behalf of the Contractor.

III. Assurances

The following assurances are hereby given to the Department:

A. Compliance with Applicable Laws

The Contractor will comply with applicable federal and state laws, guidelines, rules and regulations in carrying out the terms of this Agreement. The Contractor will also comply with all applicable general administrative requirements such as OMB Circulars; A-87, A-133, and A-102 (as revised) implemented through applicable portions of the associated "Common Rule" and covering cost principles, grant/agreement principles, and audits in carrying out the terms of this Agreement.

B. Anti-Lobbying Act

The Contractor will comply with the Anti-Lobbying Act, 31 USC 1352 as revised by the Lobbying Disclosure Act of 1995, 2 USC 1601 et seq., and Section 503 of the Departments of Labor, Health and Human Services and Education, and Related Agencies Appropriations Act (Public Law 104-208). Further, the Contractor shall require that the language of this assurance be included in the award documents of all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

C. Non-Discrimination

1. In the performance of any contract or purchase order resulting herefrom, the Contractor agrees not to discriminate against any employee or applicant for employment or service delivery and access, with respect to their hire, tenure, terms, conditions or privileges of employment, programs and services provided or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability unrelated to the individual's ability to perform the duties of the particular job or position or to receive services. The Contractor further agrees that every subcontract entered into for the performance of any contract or purchase order resulting herefrom will contain a provision requiring non-discrimination in employment, service delivery and access, as herein-specified binding upon each subcontractor. This covenant is required pursuant to the Elliot-Larsen Civil Rights Act, 1976 PA 453, as amended, MCL 37.2201 et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, as amended, MCL 37.1101 et seq., and any breach thereof may be regarded as a material breach of the contract or purchase order.
2. Additionally, assurance is given to the Department that proactive efforts will be made to identify and encourage the participation of minority owned and women owned businesses, and businesses owned by handicapped persons in contract solicitations. The Contractor shall incorporate language in all contracts awarded: (1) prohibiting discrimination against minority owned and women owned businesses and

businesses owned by handicapped persons in subcontracting; and (2) making discrimination a material breach of contract.

D. Debarment and Suspension

Assurance is hereby given to the Department that the Contractor will comply with Federal Regulation, 45 CFR Part 76 and certifies to the best of its knowledge and belief that it, including its employees and subcontractors:

1. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or contractor;
2. Have not within a three-year period preceding this Agreement been convicted of or had a civil judgement rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or contract under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
3. Are not presently indicted or otherwise criminally or civilly charged by a government entity (federal, state, or local) with commission of any offense enumerated in section 2, and;
4. Have not within a three-year period preceding this Agreement had one or more public transactions (federal, state, or local) terminated for cause or default.

E. Federal Requirements: Pro-Children Act

1. Assurance is hereby given to the Department that the Contractor will comply with Public law 103-227, also known as the Pro-Children Act of 1994, 20 USC 6081 et seq., which requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted by and used routinely or regularly for the provision of health, day care, early childhood development services, education or library services to children under the age of 18, if the services are funded by federal programs either directly or through state or local governments, by federal grant, contract, loan or loan guarantee. The law also applies to children's services that are provided in indoor facilities that are constructed, operated, or maintained with such federal funds. The law does not apply to children's services provided in private residences; portions of facilities used for inpatient drug or alcohol treatment; service providers whose sole source of applicable federal funds is Medicare or Medicaid; or facilities where Women, Infants, and Children (WIC) coupons are redeemed. Failure to comply with the provisions of the law may result in the imposition of a civil monetary

penalty of up to \$1,000 for each violation and/or the imposition of an administrative compliance order on the responsible entity. The Contractor also assures that this language will be included in any subawards that contain provisions for children's services.

2. The Contractor also assures, in addition to compliance with Public Law 103-227, any service or activity funded in whole or in part through this Agreement will be delivered in a smoke-free facility or environment. Smoking shall not be permitted anywhere in the facility, or those parts of the facility under the control of the Contractor. If activities or services are delivered in facilities or areas that are not under control of the Contractor (e.g., a mall, restaurant or private work site), the activities or services shall be smoke-free.

F. Hatch Political Activity and Intergovernmental Personnel Act

The Contractor will comply with the Hatch Political Activity Act, 5 USC 1501-1508, and the Intergovernmental Personnel Act of 1970, as amended by Title VI of the Civil Service Reform Act, Public Act 95-454, 42 USC 4728. Any person or organization involved in the administration of federally assisted programs cannot use Federal funds for partisan political purposes of any kind.

G. Subcontracts

Assure for any subcontract service, activity, or product:

1. That a written subcontract is executed by all affected parties prior to the initiation of any new subcontract activity.
2. That any executed subcontract to this Agreement shall require the subcontractor to comply with all applicable terms and conditions of this Agreement. In the event of a conflict between this Agreement and the provisions of the subcontract, the provisions of this Agreement shall prevail. A conflict between this Agreement and a subcontract, however, shall not be deemed to exist where the subcontract:
 - a. Contains additional non-conflicting provisions not set forth in this Agreement,
 - b. Restates provisions of this Agreement to afford the Contractor the same or substantially the same rights and privileges as the Department, or
 - c. Requires the Subcontractor to perform duties and/or services in less time than that afforded the Contractor in this Agreement.
3. That the subcontract does not affect the Contractor's accountability to the Department for the subcontracted activity.
4. That any billing or request for reimbursement for subcontract costs is supported by a valid subcontract and adequate source documentation on costs and services.

5. That the Contractor will submit a copy of the executed subcontract if requested by the Department.

H. Procurement

Assure that all purchase transactions, whether negotiated or advertised, shall be conducted openly and competitively in accordance with the principles and requirements of OMB Circular A-87, A-133, or A-102 (as revised), and implemented through applicable portions of the associated "Common Rule" as promulgated by responsible federal contractor(s). Records sufficient to document the significant history of all purchases must be maintained for a minimum of five (5) years after the end of the agreement period.

I. Health Insurance Portability and Accountability Act

To the extent that this act is pertinent to the services that the Contractor provides to the Department under this Agreement, the Contractor assures that it is in compliance with the health Insurance Portability and Accountability Act (HIPAA) requirements including the following:

1. The Contractor must not share any protected health data and information provided by the Department that falls within HIPAA requirements except to a subcontractor as appropriate under this Agreement.
2. The Contractor must require the subcontractor not share any protected health data and information from the Department that falls under HIPAA requirements in the terms and conditions of the subcontract.
3. The Contractor must only use the protected health data and information for the purposes of this Agreement.
4. The Contractor must have written policies and procedures addressing the use of protected health data and information that falls under the HIPAA requirements. The policies and procedures must meet all applicable federal and state requirements including the HIPAA regulations. These policies and procedures must include restricting access to protected health data and information by the Contractor's employees.
5. The Contractor must have a policy and procedure to report to the Department unauthorized use or disclosure of protected health data and information that falls under the HIPAA requirements of which the Contractor becomes aware.
6. Failure to comply with any of these requirements may result in the termination of this Agreement in accordance with Part II, Section VI. termination.
7. In accordance with HIPAA requirements, the Contractor is liable for any claim, loss, or damage relating to unauthorized use or disclosure of protected health data and information received by the Contractor from the Department or any other source.

J. Child Care and Development Fund (CCDF) Program Assurances

The Contractor will assure to the extent practicable that:

1. it will have in effect a program that complies with provisions of the Child Care and Development Fund Plan for Michigan FFY 2006-2007, and is administered in accordance with the Child Care and Development Block Grant Act of 1990, as amended, Section 418 of the Social Security Act, and all other applicable Federal laws and regulations;
2. the parent(s) of each eligible child within the State who receives or is offered child care services for which financial assistance is provided is given the option either to enroll such child with the child care provider that has a grant or contract for the provision of the service, or will receive a child care certificate;
3. in cases in which the parent(s) elects to enroll the child with a provider that has a grant or contract administered by the ECIC, the child will be enrolled with the eligible provider selected by the parent;
4. the child care certificate offered to parents shall be of a value commensurate with the subsidy value of child care services provided under a grant or contract;
5. with respect to regulatory requirements, health and safety requirements, payment rates, and registration requirements, rules, procedures, or other requirements promulgated for the purpose of the CCDF, will not significantly restrict parental choice among categories of care or types of providers;
6. that children receiving services under the CCDF are age-appropriately immunized, and that health and safety provisions regarding immunizations incorporate (by reference or otherwise) the latest recommendation for childhood immunizations of the State public health agency;
7. it has procedures in place to ensure that providers of child care services for which assistance is provided under the Child Care and Development Fund afford parents unlimited access to their children and to the providers caring for their children during the normal hours of operation and whenever such children are in the care of such providers;
8. it maintains a record of substantial parental complaints and makes information regarding such complaints available to the public on request;
9. it will collect and disseminate to parents of eligible children and the general public, consumer education information that will promote informed child care choices;

10. procedures are in effect to ensure that child care providers of services for which assistance is provided under the Child Care and Development Fund comply with all applicable State and local health and safety requirements;
11. payment rates under the Child Care and Development Fund for the provision of child care services are sufficient to ensure equal access for eligible children to comparable child care services in the State that are provided to children whose parents are not eligible to receive assistance under this program or under any other Federal or State child care assistance program.

IV. Financial Requirements

A. Operating Advance

The Contractor may request an operating to assist with program operations. The request should be addressed to the Department's Contract Manager identified in Part I, Item 8. The operating advance will be administered as follows:

1. The advance amount requested must be reasonable in relationship to the program's requirements, billing cycle, etc; and in no case may exceed the amount required for 60 days operating expense. Operating advances will be monitored and adjusted by the Department according to the total Department agreement amount.
2. The advance must be recorded as an account payable to the Department in the Contractor's financial records. The operating advance payable must remain in the Contractor's financial records until fully recovered by the Department.
3. Subsequent monthly payments shall be adjusted, in consideration of the advance amount, to prevent total payments from exceeding total expenditures and not to exceed the contract amount.
4. The advance must be returned to the Department within 15 days of the end of this Agreement unless the Contractor has a recurring Agreement with the Department, and may not be held pending agreement audit. Subsequent Department agreements may be withheld pending recovery of the outstanding advance from a prior agreement. If the Contractor has a recurring agreement with the Department, the Department requires an annual confirmation of the outstanding advance.

The Department may obtain the Michigan Department of Treasury's assistance in collecting outstanding operating advances. The Department will comply with Michigan Department of Treasury's Due Process procedure prior to forwarding claims to Treasury. Specific Due Process procedures include the following:

- a) Department offers of a hearing to dispute the debt, identifying the time, place, and date of such hearing.
 - b) A hearing by an impartial official.
 - c) An opportunity for the Contractor to examine the Department's associated records.
 - d) An opportunity for the Contractor to present evidence in person or in writing.
 - e) A hearing official with full authority to correct errors and make a decision not to forward debt to Treasury.
 - f) Contractor representation by an attorney and presentation of witnesses if necessary.
5. At the end of either the Agreement period or Department's fiscal year, whichever is first, the Contractor must respond to the Department's request for confirmation of the operating advance. Failure to respond to the confirmation request may result in the Department recovering all or part of an outstanding operating advance.

B. Reimbursement Method

The Contractor will be reimbursed in accordance with the grant reimbursement mechanism as follows:

Reimbursement from the Department based on the understanding that Department funds will be paid up to the total Department allocation as agreed to in the approved budget. Department funds are first source after the application of fees and earmarked sources unless a specified local match condition exists.

C. Statement of Expenditure Submission

The Contractor shall prepare the Department of Human Services Statement of Expenditure (SOE) and submit to:

Contract Manager
Michigan Department of Human Services
P.O. Box 30037
Lansing, MI 48909

The SOE must be submitted on a monthly basis, no later than thirty (30) days after the close of each calendar month. The statement for the final month of the fiscal year must be filed no later than 15 days after the close of that month to provide for the State of Michigan close of the books. The monthly SOE must reflect total actual program expenditures regardless of the source of the funds. Attachment D contains the SOE form. The SOE form FIA 3469 and instructions for completing the SOE form are available through the Contract Manager or the Department's web site:

Failure to meet financial reporting responsibilities as identified in this Agreement may result in withholding future payments.

D. Reimbursement Mechanism

The Contractor is required to sign up through the on-line vendor registration process to receive all State of Michigan payments as Electronic Funds Transfers (EFT) Direct Deposits.

E. Final Obligations and Statement of Expenditure Requirements

A report of estimated total agreement expenditures must be submitted based on annual guidelines and deadlines issued by the Department. Final SOEs are due fifteen (15) days following the end of the fiscal year or agreement period. The final SOE must be clearly marked "FINAL". Final SOEs not received by the due date may result in a loss of funding requested per the report of estimated total agreement expenditures and may result in the potential reduction in the subsequent year's agreement amount.

F. Unobligated Funds

Any unobligated balance of funds held by the Contractor at the end of the agreement period will be returned to the Department or treated in accordance with instructions provided by the Department.

V. Disputes

The Contractor shall notify the Department in writing of intent to pursue a claim against the Department for breach of any terms of this Agreement. No suit may be commenced by the Contractor for breach of this Agreement prior to the expiration of ninety (90) days from the date of such notification. Within this ninety (90) day period, the Contractor, at the request of the Department, must meet with the Director of the Department or designee for the purpose of attempting resolution of the dispute.

VI. Agreement Termination

- A. The Department may cancel this Agreement without further liability or penalty to the Department by giving the Contractor written notice of such cancellation thirty days prior to the date of cancellation.
- B. This Agreement may be terminated by the Contractor by giving thirty (30) days written notice to the Department stating the reasons for termination and the effective date.
- C. This Agreement may be terminated on thirty (30) days prior written notice upon the failure of either party to carry out the terms and conditions of this Agreement, provided the alleged defaulting party is given notice of the alleged breach and fails to cure the default within thirty (30) day period.

- C. This Agreement may be terminated immediately if the Contractor or an official of the Contractor or an owner is convicted of any activity referenced in Section III. D of this Agreement during the term of this Agreement or any extension thereof.

VII. Final Report Upon Termination

Should either party terminate this Agreement, within thirty (30) days after the termination, the Contractor shall provide the Department with all financial performance and other reports required as a condition of this Agreement. The Department will make payments to the Contractor for allowable reimbursable costs not covered by previous payments or other state or federal programs. The Contractor shall immediately refund to the Department any funds not authorized for use and any payments or funds advanced to the Contractor in excess of allowable reimbursable expenditures. Any dispute arising, as a result of this Agreement, shall be resolved in the State of Michigan.

VIII. Severability

If any provision of this Agreement or any document attached to or incorporated by reference is waived or held to be invalid, such waiver or invalidity shall not affect other provisions of this Agreement.

IX. Amendments

Any changes to this Agreement will be valid only if made in writing and accepted by all the parties to this Agreement. Any Contractor proposed change by the Contractor which would affect the Department funding of any project, in whole or in part in Part I, Section 2.C of the Agreement, must be submitted in writing to the Department for approval immediately upon determining the need for such change.

X. Liability

- A. All liability to third parties, loss, or damage as a result of claims, demands, costs, or judgements arising out of activities, such as direct service delivery, to be carried out by the Contractor in performance of this Agreement shall be the responsibility of the Contractor, and not the responsibility of the Department, if the liability, loss, or damage is caused by, or arises out of, the actions or failure to act on the part of the Contractor, provided that nothing herein shall be construed as a waiver of any government immunity that has been provided to the Contractor or its employees by statute or court decisions.
- B. All liability to third parties, loss, or damage as a result of claims, demands, costs, or judgements arising out of activities, such as the provision of policy and procedural direction, to be carried out by the Department in the performance of this Agreement shall be the responsibility of the Department, and not the responsibility of the Contractor, if the liability, loss, or damage is caused by, or arises out of, the action or failure to act on the part of any Department employee or agent, provided that nothing herein shall be construed as a waiver of any governmental immunity by the State, its agencies (the Department) or employees as provided by statute or court decisions.

- C. In the event that liability to third parties, loss, or damage arises as a result of activities conducted jointly by the Contractor and the Department in fulfillment of their responsibilities under this Agreement, such liability, loss, or damage shall be borne by the Contractor and the Department in relation to each party's responsibilities under these joint activities, provided that nothing herein shall be construed as a waiver of any governmental immunity by the Contractor, the State, its agencies (the Department) or their employees, respectively, as provided by statute or court decisions.

XI. Conflict of Interest

The Contractor and the Department are subject to the provisions of 1968 PA 317, as amended, MCL 15.321 et seq., MSA 4.1700(51) et seq., and 1973 PA 196, as amended, MCL 15.341 et seq., MSA 4.1700 (71) et seq.

XII. State of Michigan Agreement

This is a State of Michigan Agreement and is governed by the laws of Michigan. Any dispute arising, as a result of this Agreement shall be resolved in the State of Michigan.

XIII. Confidentiality

Both the Department and the Contractor shall assure that medical services to and information contained in medical records of persons served under this Agreement, or other such recorded information required to be held confidential by federal or state law, rule or regulation, in connection with provision of services or other activity under this Agreement shall be privileged communication, shall be held confidential, and shall not be divulged without the written consent of either the patient or a person responsible for the patient, except as may be otherwise required by applicable law or regulation. Such information may be disclosed in summary, statistical, or other form which does not directly or indirectly identify particular individuals.

STATEMENT OF WORK

The Early Childhood Investment Corporation (ECIC) will oversee and assure the development and implementation of the Great Start system. It will coordinate and support early childhood programs to improve the delivery of services to children from birth to age five and their families. The ECIC will administer those programs and services assigned by the Michigan Department of Human Services (Department) and listed herein.

The Department, through federal grants, will provide the funding, the start-up processes, and administration assistance of the ECIC.

Start-up processes may include:

- obtaining office space (through contract or lease) and necessary supplies and equipment; including computer network stations, copier/fax/printer leases, toll free and general telephone lines, hard copy communication capabilities, and mailing services,
- obtaining and installing appropriate software and other computer applications,
- the assignment of Department staff for the smooth transition and administration of programs and services transferred to the ECIC,
- procuring contracts for legal services, training, and consultation services,
- and any other services, staffing or items necessary to the start-up of the ECIC.

Administration services may include:

- the ongoing employment of Department staff assigned to the ECIC,
- continued contracted office space and equipment,
- subcontracts for training and recruitment services,
- and other services, staffing or items as necessary to the continued administration of the ECIC.

Department of Human Services Transfer of Programs and Services to the ECIC

- To the extent consistent with federal and state law, the authority, powers, duties, functions, and responsibilities for the administration of the programs and services listed herein, as referenced in the Child Care And Development Fund Plan For Michigan FFY 2006-2007 (State Plan) and funded under the federal Child Care And Development Fund (CCDF) program, are hereby transferred to the ECIC.
- Included among the programs and services assigned to the ECIC shall be:
 - a) Resource & Referral – On Site
 - b) Accreditation Incentives
 - c) Professional Development & Training For Child Care Providers
 - d) Parent/Provider Information
 - e) T.E.A.C.H. @ program
 - f) Child Abuse & Neglect Prevention Services
 - g) Early Head Start Pilot Program
 - h) Early Childhood Workforce Study
 - i) Other programs and services as agreed to by the Department and the Contractor and referenced in the State Plan

PERFORMANCE-PROGRESS REPORT REQUIREMENTS

- A. The Contractor shall submit the following reports on the following dates:
- By the 5th of the month in a format agreed to by the Contractor and the Department to include detailed information as agreed to by the Contractor and Department on the following:
1. Expenditures
 2. Complaints
 3. Referral Data
 4. Training Data
 5. Materials the Contractor has disseminated
 6. Outside sources of financing
 7. Minutes of meetings, etc.
- B. Any such other information as specified in Attachment A shall be developed and submitted by the Contractor as required by the Department Contract Manager.
- C. Reports and information shall be submitted to the Department Contract Manager at:
- NAME
Department of Human Services
P.O. Box 30037
Lansing, MI 48909
- D. The Department Contract Manager shall evaluate the reports submitted as described in Attachment C to Part II of the agreement, Items A. and B., for their completeness and adequacy.
- E. The Contractor shall permit the Department or its designee to visit to evaluate the project as determined by the Department Contract Manager.

Date _____

William Addison, CPA
Department of Human Services
Suite 1112, Grand Tower Building
P.O. Box 30037
Lansing, MI 48909

Dear Mr. Addison:

The purpose of this letter is to comply with Department of Human Services contractual audit requirements.

The _____ received less than \$500,000 in federal
Name of agency as it appears on the DHS contract
awards for the fiscal year ended _____. Therefore, we are not required to
Contractor's fiscal year end
have a Single Audit performed. Our Federal Identification Number is _____.

If you have any questions, please contact _____ at
Contractor's financial contact person

Telephone Number

Other agency names and Federal Identification Numbers used when contracting with DHS include:

Name	Federal Identification Number
_____	_____
_____	_____
_____	_____
_____	_____

Sincerely,

Agency Representative

DHS's Fax #517-373-8771

Date _____

William Addison, CPA
Department of Human Services
Suite 1112, Grand Tower Building
P.O. Box 30037
Lansing, MI 48909

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